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SUBJECT: NUEVO LEON PLANNING AHEAD TO AVOID WATER SHORTAGES.

REF: MEXICO 0264

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¶1. Summary. The northern border state of Nuevo Leon is currently only able to guarantee unrestricted access to water through 2015. Experts predict water shortages in border states will be brought on by booming population growth and climate change induced droughts. These shortages will lead to increased water competition among the northern border states and possibly limit economic growth in the region. It is possible Nuevo Leon, especially the Monterrey metropolitan area, will have water restrictions put in place in the near term such as those seen in Mexico City this year (See reftel). To avoid this scenario, the state government is working to expand additional infrastructure and, led by its state Water Institute, has begun planning for the long term. End Summary.

Water Availability Predictions

¶2. The state of Nuevo Leon is currently running a water surplus but this surplus is expected to disappear within the next few years. According to statistics provided by the state owned water utility, Servicios de Agua Y Drenaje de Monterrey (SADM), unrestricted water supply is only guaranteed until 2015. The residents of Nuevo Leon receive 60% of their water from three main water reservoirs on the San Juan River which cuts across the middle of the state. Most of the remaining 40% of water needs of the state come from aquifers. The water supply and the water infrastructure has remained constant and adequate for the last ten years even as the population has grown over 40%. Jean Leautaud, the administrative director for SADM, believes the state can extend capacity with quick pipeline and well upgrades from 10 m3/sec to 17 m3/sec of water to meet the state's water needs through 2025. On the sanitation side, 100% of the state's waste water is already treated for reuse in agricultural or industrial plants. Nuevo Leon GDP per capita is nearly twice the Mexican average thus giving it the resources to build a modern infrastructure. In March 2009, SADM began the first of these infrastructure upgrades named, Monterrey V, in an effort to provide additional capacity to outlying regions of the Monterrey metropolitan area. This US\$230 million project was financed by the Interamerican Development Bank and the Monterrey based commercial bank Banorte, and is expected to be completed by the end of 2010.

¶3. SADM's efficiency is nearly on par with U.S. standards so there are limited benefits to conservation efforts. According

to Leautaud, only 28% of transported water is lost due to leakage or theft. This compares to 25% for the United States and 45% in the Federal District. In terms of the personal consumption, water usage per household has decreased 20% in the last 10 years. Leautaud cites the state's active primary school culture of water educational programs and public outreach efforts.

Future Water Sources

¶4. Past the year 2025, Nuevo Leon will need to look outside of its borders for additional water supplies and the state will need to change how it uses its water. In addition to expected population growth of 20% in 15 years, the northern Mexican region is vulnerable to drought brought on by global warming. The expected surface and subterranean water supplies will not be adequate to meet the expected demand. In April 2008, a interagency water board was created to address long-term water supply. Led by the Nuevo Leon Water Institute (IANL), the board also consists of the National Water Commission (CONAGUA), the Mexican Water Institute, the Autonomous University of Nuevo Leon, and SADM. Based on a conversation with Dr. Belzahet Trevino, Director General of IANL, the water board is currently looking at two proposals to increase the water supply: 1) A desalinization plant off the coast of the neighboring state of Tamaulipas, and 2) New water sources from the southern state of Veracruz. Both proposals are costly but will be necessary to meet the future demand. Dr. Trevino adds that inevitably the state will also need to readjust its water usage. Currently 70% of water in the state is used for agricultural purposes. Within a matter of years the state will need to begin discussions on how to reduce water demand by the state's farmers and ranchers.

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The Nuevo Leon State Water Institute

¶5. The IANL is the state's leading water research and development agency. The institute expects to start the first ever project to monitor hydroclimatic changes along the border area. This USD\$3 million dollar project will be financed by Mexico's National Commission of Science and Technology and the launch of the study will be announced at this year's Border Governor's Conference in August. The results of the research will be used to help in the decision making process for public officials in the border area. In addition to policy recommendations to increase the supply of water, the IANL hopes to extend potable water to rural areas and improve management of sewage water. Potable water is available to 95% of the state's population, which is better than the 88% national average. IANL is working to extend the state's water supply to 100% of the population in a sustainable fashion. IANL is also investigating the sale of sludge from waste water to local cement and steel companies which can then convert the sludge into energy. The institute has advanced past the proof of concept phase of the project and is seeking a private company to run the project and provide USD\$10 million in financing. The project anticipates profits not just from the sale of the sludge to energy consumers but also through the sale of carbon credits in the international market since the methane producing sludge will not be sent to a landfill.

¶6. Comment. Barring a prolonged drought in the region, the state appears to be on track to meeting its water needs in the short term. In the long run, Nuevo Leon, along with Coahuila

and Chihuahua, with large populations in desert climates, will be one of many states looking to the south for additional water capacity. While a desalinization plant may be an option for the state, it remains prohibitively expensive given the state's budget. It was surprising to learn that even though water issues have been a concern for years the state's water board only began its work 12 months ago. With water shortages looming, the competition for water rights will have to be settled in the next few years to avoid widespread economic and ecological disruptions. End Comment.
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